



CITY OF CAMPBELL

City Manager's Office

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MAR 13 2017

CIVIL GRAND JURY

March 7, 2017

Santa Clara County Civil Grand Jury
Superior Court
Attention: Tamara Davis, Deputy Manager of Jury Services
191 North First Street
San Jose, CA 95113

Dear Ms. Davis:

I am writing to you on behalf of the City in response to your letter dated February 14, 2017, asking for an update to the 2011-2012 Grand Jury's report of July, 2012 on Pension and Other Post-Employment Benefits. Specifically, your letter requested a response to three questions: (1) how the various recommendations are viewed by the City; (2) were the recommendations accepted; and (3) is there a plan for future action.

Since the City provided a comprehensive response to that final report in September, 2012, I will not repeat our responses in this letter; however, I have provided any new information that has changed since the time of our previous response.

As noted in our previous response, the City had already taken steps to implement pension reform even before the 2012 Grand Jury issued its report. For example, the City established new lower-cost pension formulas for its Safety Plan (2%@50)--the first city to do so in Santa Clara County--and, a year later, for its Miscellaneous Plan (2%@60), which lowered the retirement benefits significantly and/or increased the eligible retirement age for new employees. Shortly after the 2nd tiers were in place, the California legislature passed AB340, *Public Employees' Pension Reform Act of 2013*, which effectively mandated a new 3rd tier of even lower retirement benefits as well as modified various provisions of public employment retirement law to further limit the cost of retirement benefits provided to employees. In the time that has passed since these lower tiers have been implemented, the City has benefited from lower costs as new employees are hired. Moreover, in the long-term (20 years), this will further reduce the City's cost of providing retirement benefits. That being said, there has also been some negative consequence to the pension reform measures. We have had a more difficult time recruiting government experienced applicants for vacant positions as a result of the city's lower tiered benefit formulas. Nonetheless, the City will continue to look for opportunities to increase cost-sharing with employee groups through the negotiation process.

With respect to the City's Post-Retirement Benefits (OPEB), the City took steps years ago to limit the cost of this program. The City's Retiree Award Program provides cash reimbursement

up to \$325/month for employees only based on submitted medical expense receipts and requires retirement from the City with a minimum of 17 years of City service. This amount has been capped for the past seven years. In lieu of future increases to this award, the City established a VEBA (Voluntary Employee Beneficiary Association) and contributes a monthly fixed amount into this trust. Employees may also contribute into this account, the balance of which may be used for payment of eligible medical expenses. Accumulated balances may be used even after the employee retires. The City also set up an IRC section 115 trust to prefund contributions toward meeting the unfunded award program obligation based on actuarially determined valuations.

As noted in our previous response, the City of Campbell agrees with most of the Grand Jury's findings on many of the broad issues that affect municipal operating costs. However, it is important to realize that each agency is unique and has its own particular situation which may lend itself to particular solutions that may not work for other agencies. The goal should be to find solutions that are right for each agency while promoting education and awareness of the financial implications of any benefits provided to employees. The City is continuing to explore ways to balance the need to attract and retain quality employees with the financial obligations that are attached to those objectives.

The City understands the implications of the benefits it has provided to its employees as well as the cost impacts of making financial provisions for these over time. It is a complex matter that has many facets and is not easily resolved. Notwithstanding how cities ended up in the situations that exist today with respect to decisions made by past governing bodies, strategies have been established, in many cases, to mitigate the financial pressures that pension and post-employment benefits have placed on the public.

Please feel free to contact me at 408-866-2125, if you have further questions or need additional information.

Regards,


Brian Loventhal
City Manager

cc: Council members



February 14, 2016

Honorable Liz Gibbons, Mayor
City of Campbell
70 North First Street
Campbell, CA 95008

Sent via email to: lizg@cityofcampbell.com

Dear Ms. Gibbons:

I am contacting you on behalf of the 2016-2017 Santa Clara County Civil Grand Jury, as a follow up to a letter sent December 22, 2017, via email requesting for an update to a report generated by the 2011-2012 Santa Clara County Civil Grand Jury in July of 2012, entitled "**An Analysis of Pension and Other Post Employment Benefits.**" The letter and all referenced attachments, are attached.

Though the requested response date, January 31st, has lapsed, the Civil Grand Jury is extending the request for a response to March 3, 2017, sent to:

Santa Clara County Civil Grand Jury
Superior Court
Attention: Tamara Davis, Deputy Manager of Jury Services
191 North First Street
San Jose, California 95113

Thanking you in advance for your timely response to this request for information.

Sincerely,

A handwritten signature in black ink, appearing to read "Tamara Davis". The signature is fluid and cursive.

Tamara L. Davis
Deputy Manager, Jury Services

TD:Peter Hertan, 2016-2017 Civil Grand Juror
Attachments/Enclosures: Letter from Tamara Davis, Deputy Manager of Jury Services dated December 21, 2017.